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Message Text

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EXDIS

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SUBJECT: SECRETARY'S MEETING WITH VICE PREMIER MINIC

1. THE SECRETARY HOSTED VPREMIER AND FONMIN MINIC FOR LUNCH SEPTEMBER 25 AND HAD ADDITIONAL FORTY MINUTE TALK WITH HIM AFTER LUNCH. SONNENFELDT AND HARTMAN ON US SIDE AND AMB. GRANFIL AND STARCEVIC ON YUGOSLAV SIDE ATTENDED BOTH LUNCH AND LATER CONVERSATION.

2. UN AND NONALIGNMENT. THE SECRETARY SAID JOKINGLY HE HOPED YUGOSLAV UN DELEGATION WOULD BE LESS ABLY LED WITHOUT MINIC THERE. THE SECRETARY REFERRED SPECIFICALLY TO THE TECHNICAL ADVICE GIVEN BY YUGOSLAVS TO SENEGALESE DELEGATE IN GENERAL COMMITTEE ON KOREA ISSUE. MINIC ADMITTED GOY FREQUENTLY GAVE ADVICE TO OTHER NONALIGNED DELEGATIONS. HE PROPOSED AMERICAN AND YUGOSLAV UN AMBASSADORS CONSULT EACH OTHER MORE OFTEN IN FUTURE. THE SECRETARY APPROVED
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IDEA. HE THOUGHT WITH GOOD WILL ON BOTH SIDES COMPROMISES COULD BE REACHED ON VARIOUS UN ISSUES. HE RECOGNIZED THAT THE GOY POSITIONS IN RECENT WEEKS HAVE TAKEN BETTER ACCOUNT OF OUR VIEWPOINTS, AND ON OUR PART WE HAVE TRIED TO TAKE

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TO TAKE BETTER ACCOUNT OF GOY VIEWPOINTS. MINIC RAN
THROUGH A HISTORY OF NONALIGNED MEETINGS, CONTRASTING MOOD
OF CONFRONTATION AT ALGIERS WITH MOOD OF COOPERATION AT

LIMA AND EMPHASIZING GOY CONSTRUCTIVE EFFORTS. MINIC
ASSERTED DEVELOPING COUNTRIES WERE NOW AWARE THAT CON-
FRONTATION WITH DEVELOPED COUNTRIES WOULD ONLY INCREASE
THEIR PROBLEMS, THAT MEANINGFUL DIALOGUE WAS REQUIRED.
THE SECRETARY SAID HE CONSIDERED LIMA A STEP FORWARD FOR
THE MOST PART. WE HOPE TO SEE SOME OF OUR PROPOSALS
CARRIED OUT AT LEAST PARTIALLY BEFORE WE GO ON FURTHER
WITH ANY NEW PROPOSALS. MINIC AGREED. HE ADMITTED THAT
SOME NONALIGNED GOVERNMENTS STILL PURSUE RADICAL POLICIES.
HOWEVER, HE WAS CONVINCED THAT THE MAJORITY APPROVED A
REALISTIC MODERATE PROGRAM TOWARD THE DEVELOPED STATES.

3. GROMYKO'S SPEECH AT UN. SECRE-
TARY FELT GROMYKO SPEECH HAD BEEN FAIRLY MODERATE. MINIC
AGREED AND FOUND IT AIMED AT FURTHERING DETENTE. THE
SECRETARY BELIEVED THERE WAS NOTHING MUCH NEW IN GROMYKO'S
SPEECH BUT WAS UNCERTAIN WHAT SOVIET PROPOSAL MEANT (SET-
TING UP INTERNATIONAL CONVENTION UNDER WHICH STATES PLEDGE
NOT TO DEVELOP NEW WEAPONS OF MASS DESTRUCTION OR NEW
WEAPONS SYSTEMS). DID THIS MEAN A NATION NOT YET POSSESS-
ING CERTAIN WEAPONS COULD NOT DEVELOP FURTHER FROM WHERE
IT WAS NOW, E.G., THE CHINESE, OR DID IT MEAN THAT NO
COUNTRY COULD GO BEYOND THE POINT CURRENTLY ATTAINED BY
THE MAJOR NUCLEAR POWERS IN WEAPONS DEVELOPMENT? THE
SECRETARY COMMENTED THAT HE HAD NO OBJECTION TO THE
SOVIET PROPOSAL BUT DID NOT THINK THAT IT WAS GOING TO
BE FOUND ACCEPTABLE.

4. YUGOSLAV ECONOMY. YUGOSLAVS STRESSED HIGH TOURIST
INCOME THIS YEAR AND CLAIMED REAL INCREASE OF 6 IN GNP
THIS YEAR. MINIC REFERRED TO STRONG ANTI-INFLATION
MEASURES GOY WAS TAKING. HE CHARACTERIZED YUGOSLAVIA AS
STILL DEVELOPING. HE CLAIMED, HALF HUMOROUSLY, THAT
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SINCE YUGOSLAVIA HAD HIGH RATE OF GROWTH THIS MADE IT A
DEVELOPING COUNTRY, SINCE DEVELOPED COUNTRIES WERE SHOWING
VERY LOW GROWTH RATES. HE CLAIMED BIGGEST ECONOMIC PROB-
LEM WAS WITH BANKS ABROAD, DISQUIET HERE AND IN FRG
REGARDING GOY BALANCE OF PAYMENTS. HE COMMENTED THAT US

CONTROLLER OF CURRENCY HAS PARTICULARLY POOR OPINION OF
YUGOSLAVIA, WHILE EXIMBANK'S OPINION IS FAVORABLE AND
THEREFORE MORE CORRECT. MINIC COMPLAINED ABOUT PROBLEMS
CAUSED BY COMMON MARKET MEMBERS, SAYING ORTOLI HAD
PROMISED YUGOSLAVS EEC WOULD REDUCE RESTRICTIONS ON ITS
IMPORTS FROM YUGOSLAVIA. THIS HAD NOT YET BEEN DONE.
THE SECRETARY NOTED THAT IN HIS TALKS WITH MINISTERS OF

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COMMON MARKET COUNTRIES THEY HAD ASSURED HIM THAT THEY WOULD BE MORE FORTHCOMING REGARDING THEIR IMPORTS OF AGRICULTURAL PRODUCTS FROM YUGOSLAVIA. MINIC STATED THAT YUGOSLAVIA WAS COMPLETELY SATISFIED WITH LOANS FROM US AND WITH BILATERAL TRADE RELATIONS, WHICH WERE HELPING YUGOSLAVIA BECOME MUCH STRONGER ECONOMICALLY. YUGOSLAVIA NEEDED MUCH MORE AMERICAN CAPITAL. MINIC REFERRED TO SECRETARY'S SPEECH BEFORE UNGA SPECIAL SESSION GIVING PRIORITY TO PRIVATE INVESTMENT. GOY HAD RECOGNIZED THIS PRIORITY IN CHANGING ITS LAWS ON FOREIGN INVESTMENT AND JOINT VENTURES. THE SECRETARY NOTED THAT GOVERNMENT-TO-GOVERNMENT LOANS CAN BE USED MORE FREQUENTLY TO INTERFERE WITH A COUNTRY'S DOMESTIC AFFAIRS THAN CAN PRIVATE INVESTMENT. MINIC AGREED IN PRINCIPLE BUT SAID WEAKER ECONOMIES BADLY NEED GOVERNMENT AID. THE SECRETARY CONCURRED. MINIC PAID TRIBUTE TO EARLIER AMERICAN AID WHICH HAD HELPED YUGOSLAVIA THROUGH THE HARDEST PERIOD "WHEN WE WERE JUST GETTING GOING." YUGOSLAVIA RANKED AMONG MOST DEVELOPED OF DEVELOPING NATIONS BUT NEEDED INFUSION OF FOREIGN CAPITAL IN ORDER TO REACH RANKS OF DEVELOPED. HE ASKED THAT STATE DEPARTMENT AND OTHERS NOT DRAMATIZE YUGOSLAVIA'S ECONOMIC DIFFICULTIES. HE SAID IT COULD HAVE A NEGATIVE EFFECT ON US-YUGOSLAV ECONOMIC RELATIONS. THE SECRETARY SAID WE HAVE OTHER THINGS TO DO EXCEPT COMMENT ON YUGOSLAV'S DOMESTIC ECONOMIC AFFAIRS. SONNENFELDT NOTED THAT EVERY NEWSPAPERMAN WHO WRITES AN ARTICLE ON YUGOSLAVIA DISCUSSES ITS ECONOMIC PROBLEMS.

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5. OVERALL BILATERAL RELATIONS. IN HIS TOAST SECRETARY UNDERLINED US INTEREST IN INDEPENDENCE, INTEGRITY AND DEVELOPMENT OF YUGOSLAVIA. US IS READY TO STRENGTHEN BILATERAL RELATIONSHIP. ALL WE ASK IS THAT MATHEMATICAL POSSIBILITY OF AGREEING WITH US ON SOME ISSUES NOT BE EXCLUDED ENTIRELY. US RECOGNIZES FACT THAT YUGOSLAVIA IS MAKING A CONTRIBUTION TO WORLD PEACE, PLAYING IMPORTANT INTERNATIONAL ROLE AS MEMBER OF NONALIGNED GROUP, FACT WHICH WE RESPECT. MINIC'S RESPONSE STRESSED SIMILARITY OF TWO COUNTRIES' VIEWS ON MATTERS AFFECTING BILATERAL RELATIONS. EVEN ON INTERNATIONAL QUESTIONS THERE WERE MANY MORE POINTS OF AGREEMENT BETWEEN OUR COUNTRIES THAN OF DISAGREEMENT. WE MUST NOT PERMIT DIFFERENCES IN OUR

POINTS OF VIEW TO BE DRAMATIZED AND THUS TO BECOME OBSTACLES IN OUR GOOD RELATIONS, MINIC SAID. DURING CONVERSATION AFTER LUNCH, MINIC STRESSED THAT YUGOSLAVIA'S NONALIGNMENT AND INDEPENDENCE IS SOMETHING UNCHANGEABLE. IT WAS THE POLICY OF PRESIDENT TITO AND THE ENTIRE YUGOSLAV LEADERSHIP. HE WISHED THAT US PAPERS WOULD WRITE LESS IN TERMS OF YUGOSLAVIA MOVING CLOSER TO THE USSR OR THE US. HE SAID THERE WAS TOO MUCH SPECULATION IN THE

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PRESS ABOUT PRESIDENT FORD'S STATEMENT ON MILITARY COOPERATION. HE THOUGHT YUGOSLAVIA'S GOOD RELATIONS WITH THE USSR ARE AN ELEMENT OF STABILITY. THE SECRETARY SAID WE HAVE NO OBJECTION TO YUGOSLAVIA'S DEFINING ITS RELATIONS WITH THE SOVIET UNION ON THE BASIS OF ITS INTERESTS. WE HAVE NO INTEREST IN INTERFERING WITH YUGOSLAVIA'S NON-ALIGNMENT AND ITS RELATIONS WITH THE SOVIET UNION.

6. MILITARY RELATIONS. MINIC SAID THAT AMMUNITION AND SPARE PARTS ARE MOVING WELL BUT THAT NO REPLY HAS BEEN RECEIVED TO REQUESTS FOR EQUIPMENT. (HE HANDED OVER TWO LISTS IN SERBO-CROATIAN WHICH APPEARED TO BE THE SAME FEBRUARY AND JULY LISTS AS THOSE HANDED OVER TO THE DEFENSE ATTACHE IN BELGRADE.) THE SECRETARY SAID WE WOULD GIVE THE YUGOSLAVS AN ANSWER WITHIN TWO WEEKS. HE MENTIONED THAT THE PRESIDENT HAD ORDERED THAT WE SHOULD BE AS POSITIVE AS WE CAN AND WE WILL TRY TO GIVE AN ANSWER ON AT LEAST SOME ITEMS WITHIN THIS PERIOD.

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7. YUGOSLAV EMIGRES. MINIC TOUCHED BRIEFLY ON EXTREMISTS AND TERRORIST GROUPS OF YUGOSLAV EMIGRES ACTIVE IN THE U.S. HE SAID THAT ALTHOUGH THE VAST MAJORITY OF YUGOSLAVS IN THE U.S. HAVE A GOOD ATTITUDE TOWARD YUGOSLAVIA, THESE SMALL TERRORIST GROUPS SPOIL OUR RELATIONS. HE ASKED THAT U.S. AUTHORITIES TAKE MORE AGGRESSIVE AND RESOLUTE ACTION AGAINST SUCH GROUPS SINCE SO FAR THEY HAD NOT CAUGHT A SINGLE CULPRIT. THE SECRETARY AGREED WITH MINIC THAT THEY PROBABLY COULD CATCH THE GUILTY IF THEY TRIED HARD ENOUGH AND EXPLAINED THAT CRIMINAL ACTIVITIES GENERALLY FALL UNDER THE JURISDICTION OF THE SEVERAL STATES WHICH ARE NOT UNDER OUR CONTROL.

8. SUMMARY OF CONVERSATION ON MIDDLE EAST WILL BE FORWARDED TO EMBASSY SEPTEL. KISSINGER

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